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Editorial: Bill needed to make more information available on who gets movie tax credits

A \$10 million tax credit being sought for a western Michigan film studio has led to new questions about the state's use of tax breaks to recruit new business. The Mackinac Center for Public Policy is questioning whether the investors paid too much for a defunct auto parts plant they want to convert, which would lead to an overly generous tax credit from the state.

This latest controversy points to the need for a tightening of the policies under which such tax breaks are granted, particularly increased transparency. Lawmakers need to develop new rules that give taxpayers added assurance the state's money is being well-spent, but don't become so burdensome they discourage entrepreneurs from investing in Michigan.

The west Michigan film project, near Grand Rapids, involves the planned conversion of a former Lear factory into a movie studio called Hangar52. Investors in the project reportedly paid \$40 million on a land contract for the sprawling structure.

They're working with the state film office in pursuit of a movie infrastructure credit that, if approved, would equal one quarter of their cost for the proposed development.

The Mackinac Center, a critic of Michigan's selective tax breaks, is raising red flags. Its analysts say the former auto parts factory was on the market for less than \$10 million just a few weeks before the state received the film group's tax credit application. The price tag for the structure obviously affects the size of the tax credit.

Investors say the \$40 million they are claiming is based on appraisals and improvements. The question persists, however, because principals in the deal are deflecting questions, as are state officials who cite laws banning disclosure by the Treasury Department of information relating to tax administration.

This isn't the first controversy surrounding a film studio project that's making use of the infrastructure credits. Allen Park recently had to restructure a deal under which movie studios are being installed in a former engineering center the city had purchased.

Gov. Jennifer Granholm has touted the development as a prime example of what Michigan's generous film tax credits can accomplish.

City officials, however, had been threatening to evict the studio owners -- claiming they weren't living up to the lease terms.

What's needed is new legislation to remove suspicion. Lawmakers should carefully consider bills sponsored by Sen. Nancy Cassis, R-Novi, that would strip away some of the confidentiality requirements that block scrutiny of tax credit applications.

The legislation also would require more frequent reports from officials in charge of the programs.

The film credits and other tax break programs can aid Michigan's recovery from the downsizing of its auto industry.

While the Mackinac Center correctly argues the state should reduce taxes and regulation for all businesses, the tax credits help offset the state's current shortcomings.

They also keep us competitive with other states that are ramping up their efforts to draw the same types of job providers Michigan wants.